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First Meeting of the Ad Hoc Ministerial Committee on the Establishment of an African Monetary Fund

31 March - 2 April 1967, Libreville, Gabon

REPORT OF THE FIRST MEETING OF THE AD HOC MINISTERIAL COMMITTEE ON THE ESTABLISHMENT OF AN AFRICAN MONETARY FUND

(Libreville, Gabon, 31 March - 2 April 1967)

A. INTRODUCTION

1. The First Meeting of the Ad hoc Ministerial Committee on the establishment of an African Monetary Fund (hereinafter referred to as the "Committee of Libreville", was held in Libreville (Gabon) from 31 March to 5 April 1977. The Committee of Libreville was established by the Conference of African Ministers of Finance which Gabon had the honour to host from 10 to 15 June 1976. The purpose of the meeting was to consider the outstanding issues related to the establishment of an African Monetary Fund and to make concrete recommendations to the next Conference of African Ministers of Finance on how to speed up the establishment of the Fund.

B. ATTENDANCE

2. The meeting was attended by the following members of the Committee: Gabon, Tunisia and Zambia. Uganda and Liberia (which were not represented). Algeria, Benin, Cameroon, Egypt, Nigeria and Zaire were also represented.

3. A representative of the African Training and Research Centre attended the meeting as an observer.

4. The secretariat of the meeting was composed of the representatives of the Economic Commission for Africa (ECA) and the African Center for Monetary Studies (ACMS). The secretariats of UNCTAD and UNDP were not represented.

C. OPENING OF THE MEETING

5. The meeting was opened by Honourable Mr. Etienne Mougoungou Senior Minister of Industry and Consumer Production of the Republic of Gabon. Dr. Bingu Wa Mutharika, Director of the International Trade and Finance Division in the Economic Commission for Africa also made a statement on behalf of Professor Adebayo Adedeji, United Nations Under Secretary-General and Executive Secretary of the Economic Commission for Africa.

6. Honourable Mr. Etienne Mougoungou, on behalf of His Excellency El-Hadj Omar Bongo, President of the Republic of Gabon, Head of State and Founding President of the Democratic Party of Gabon, on behalf of the people and Government of Gabon, welcomed the participants to the meeting.

7. He further stated that the Ad hoc Ministerial Committee had a mandate to ensure that appropriate measures were taken with regard to the establishment of an African Monetary Fund and submit its recommendations to the next Conference of Ministers of Finance. The Minister concluded by assuring the Gabonese Government's conviction that the Fund would be one of the sectoral strategies leading to the implementation of the Lagos Plan of Action and the attainment of collective self sufficiency through monetary co-operation. The Fund, when established will also be a decisive contribution to find ways and means to

alleviate their heavy external indebtedness as well as their balance of payments problems, the Union and ... The Fund will also constitute a mechanism for consultations leading to the adoption by African countries of co-ordinated and coherent monetary and financial policies at the national, sub-regional and regional levels.

2. He went on to say that Africans are very much aware of the fact that the establishment of an African Monetary Fund could not constitute a panacea for all African economic problems and he appealed to African Governments to reaffirm their political commitment to the Fund in order to ensure its proper functioning. He also stated that African Governments should commit themselves to implement the decisions taken on the outstanding issues on its agenda. He then underlined the importance of the issues submitted to the Committee which were namely: the size of the capital of the Fund, subscriptions to the capital of the Fund, external participation to the capital of the Fund, the number of executive directors of the Fund and withdrawals by the Fund. He expressed the hope that the Committee will make appropriate recommendations on all these issues for consideration by the next Conference of African Ministers of Finance.

3. Mr. Ousseiru in concluding his remarks emphasized that in his view, the question of financial viability of the Fund was of paramount importance and ought to be addressed. The Fund should have sufficient resources at its disposal if it is to play its role effectively. It is in that light that external participation to the capital of the Fund ought to be considered seriously taking into account the experience of other institutions in Africa and elsewhere. To this end, he said that Africa cannot pursue a passive behavior while important decisions in the field of money and finance affecting the economies of its member States are taken without due regard to its interests. Consequently, the African Monetary Fund will pave the continent towards ensuring active participation in the world monetary and financial questions. He finally renewed his warmest welcome to all the participants and wished them an enjoyable stay in Libreville.

4. Mr. Pinto da Anharika, Director of International Trade and Finance Division, in delivering a speech on behalf of Professor Adebayo Adedeji, Executive Secretary of ECA, welcomed the participants to the first meeting of the Committee of Libreville which was established last year in that very city of Libreville with a view to taking appropriate measures in order to ensure the speedy establishment of an African Monetary Fund. He also expressed his deep appreciation to President Omar Bongo, the Government and people of the Republic of Gabon for the excellent facilities placed at the disposal of the meeting.

11. He stated that the meeting had a very important task before it. Its mandate was to find out the most effective way of establishing the Fund without further delay. To this end, as the Minister had stated, there were four issues before the Committee still to be resolved. The first issue was whether the subscription of member States should be paid entirely in convertible currency or part of it in convertible currency and another part in national currency.

If it was decided that a portion of the subscription should be paid in national currencies, the Committee ought to consider how the local currency component would be used by the Fund bearing in mind that there would be about forty or more currencies deposited with the Fund.

14. The second outstanding issue related to the size of the Board of Executive Directors. Mr. Otieri pointed out that the Committee ought to take into account the experience of other institutions such as the African Development Bank which might be useful in taking a decision. The third issue concerned the special participation to the capital of the Fund. He reminded the Committee that the feasibility study on the establishment of the Fund proposed twelve executive directors of whom nine would represent regional members and three the non-regional participation if it was decided to allow such participation. The fourth issue related to who should be eligible for membership in the Fund. He concluded by stressing that the Committee had a heavy responsibility on its shoulders and that the decisions that would be taken in the next few days would determine Africa's history. The most important issue was to ensure that the African Monetary Fund was established without further delay and he added that he was confident that the Committee would find appropriate solutions to the outstanding issues.

I. ADOPTION OF THE AGENDA AND ORGANIZATION OF WORK

15. The meeting adopted the following agenda:

1. Opening of the session
2. Adoption of the agenda and programme of work
3. Review of the outstanding issues relating to the establishment of an African Monetary Fund
   (i) Subscription to the capital of the Fund
      (a) size of the capital of the Fund
      (b) payments of subscriptions
   (ii) Membership in the Fund
   (iii) Size of the membership of the Board of Executive Directors
   (iv) Special participation to the capital of the Fund
4. Any other business
5. Adoption of the report and closure of the meeting

16. Regarding the organization of work, the meeting decided to work each day from 9 a.m. to 1 p.m. and from 3 p.m. to 6 p.m.

II. ACCOUNT OF PROCEEDINGS

Size of the capital of the Fund [agenda item 3(i)(a)]

15. A representative of the secretariat, in presenting this agenda item, outlined that the feasibility study has considered three scenarios, namely, an authorized capital of US$ 1 billion, US$ 2 billion and US$ 3 billion. He informed the Committee that the experts, during their second meeting on the establishment of an African Monetary Fund, decided to propose to the ministers an initial authorized capital of 2 billion African Units of Account (AUA) which was equivalent to the Special Drawing Right (SDR). It was proposed that 750 million AUA would be called up capital during the first five years. Of this, 500 million AUA would be paid in by regional members and 250 million AUA by non-regional members, if external participation was allowed. It being understood that the paid up capital should only be limited to 500 million AUA in the event a decision was taken not to allow external participation.

16. In the discussions that followed, the meeting considered that the viability of the Fund was extremely important. Therefore, taking into account its status in the international community the Committee endorsed the proposal of experts, namely that the initial authorized capital should be fixed at 2 billion AUA of which 750 million will be called and paid in during the first five years. Of that amount 500 million AUA will be paid by regional members and 250 million by non-regional members if those were allowed to participate in the capital of the Fund.

Payment of subscriptions by regional members to the capital of the Fund [agenda item 3(i)(b)]

17. While presenting this agenda item, a representative of the secretariat pointed out that the intergovernmental group of experts on the establishment of an African Monetary Fund was divided on this issue. One group of experts felt that taking into account the problems encountered by similar institutions as the case of national currencies, the entire subscription ought to be paid in convertible currencies. Others thought that 90 per cent of subscriptions ought to be paid in convertible currencies and 10 per cent in national currencies. The other group of experts were of the view that in order to promote intra-African trade, 75 per cent of subscriptions should be paid in convertible currencies and 25 per cent in national currencies.

18. During the discussions, the representative of the African Centre for Monetary Studies stated that while appreciating the view held by some experts, he was convinced that it would be difficult to use national currencies in carrying out the principal objective of the Fund, namely balance-of-payments support. The Committee was divided on this issue with the majority of those present favouring payment of the entire subscription in convertible currencies. After some exchange of views the meeting decided to refer this question to the next meeting of the Ad Hoc Committee of Libreville and subsequently to the Heads of State and Government for a final decision.

Membership in the Fund [agenda item 3(ii)]

19. A representative of the secretariat in presenting this agenda item, said that three types of members were proposed in the draft articles of Agreement: (a) Regional Members (b) Non Regional Members and (c) Institutions. With regard to regional members, it was suggested that membership of the Fund should be open to all independant African States and all countries which would attain independance in future.

20. In discussing this item the Committee was cognizant of the political issues involved. Some participants suggested that all countries that have attained "independant and sovereign" status should be eligible for regional membership. There was also no agreement as to whether or not there should be non-regional membership although the majority felt this should be allowed. After a lengthy discussion, the meeting could not reach a consensus on this issue and it was decided to refer this to the next meeting of the Ad-hoc Ministerial Committee for subsequent submission to the African Heads of State and Government for final decision.

Size of the membership of the Board of Executive Directors [agenda item 3(iii)]

21. A representative of the secretariat in presenting this agenda item, stated that the experts had considered the original proposal of 12 Executive Directors but had decided that the number should be reduced to 9 out of which 6 would be elected by Regional members and 3 by Non-Regional members. He also informed the meeting that there would essentially be 9 Executive Directors and 9 Alternate Executive Directors. He also drew the attention of the meeting to the procedure of election of Executive Directors already agreed upon by the experts and contained in schedule D of the Draft Articles of Agreements.

22. The Committee carefully considered this issue and indicated that the size of the Board of Executive Directors should be based on realism. To this end, the Board should neither be too large nor too small. After discussing this issue at length, the meeting decided to endorse the recommendations of the experts that the Board of Executive Directors should be composed of a total of nine Executive Directors of whom 6 would represent regional members and 3 non-regional members. The meeting decided that the Executive Directors should not reside at the headquarters of the Fund but in their respective capitals. It also approved the method of electing Executive Directors as outlined in Schedule D of the draft Articles of Agreement of the African Monetary Fund (Doc. E/ECA/TRADE/11/Rev 3)

External participation to the Capital of the Fund [agenda item 3(iv)]

23. A representative of the secretariat in presenting this agenda item, stated that the experts had carefully considered the viability of the Fund with and without external participation. The important consideration was that the Fund, when established, must have adequate resources to carry out its functions properly. The majority of experts felt that external participation was

absolutely essential in order to strengthen the capital base of the Fund and its creditworthiness. This, they argued, would not jeopardize its autonomy nor erode the control of the Fund by African countries since the external participation would always be limited to 1/3 of the shares. Another group of experts, felt that in order to preserve the African character of the Fund, external participation to the capital of the Fund should not be allowed. Since no consensus emerged from the experts meeting, the issue had been referred to the Ministers for a decision.

24. The Committee discussed this issue at length bearing in mind the viability of the Fund, its prospects for raising funds in the money markets of the developed countries and the problems of payments of subscriptions by the Regional members. As was the case with the experts, opinion was divided. A majority of those present felt that in an interdependent world and based on the experience of the African Development Fund, there was no reason to believe that the Fund's autonomy would be sacrificed by allowing external participation. Another group of participants felt that there was the need to maintain the African characteristics and regional autonomy of the Fund. They did not therefore see the need for external participation in the membership or capital subscription in the Fund. Since this issue was considered political, the meeting decided to refer it to the next meeting of the Ad-Hoc Ministerial Committee for onward submission to the African Heads of State and Government for final decision.

Any other business (agenda item 6)

25. Under this agenda item, the meeting considered the time table proposed for the establishment of an African Monetary Fund in the light of its work and other developments. It was decided that the second meeting of the Committee of Libreville be held in June in Cairo or Libreville soon after the Governing Council of the African Development Bank at which the African Ministers of Finance would be present. It was also decided that the fifth meeting of the Inter-governmental Group of Experts should meet and adopt the report of its fourth meeting for submission to the next Conference of African Ministers of Finance scheduled to be held in November 1977. The meeting welcomed the suggestion by the Chairman that the Head of State of Gabon should contact the Heads of State of the other countries of the Committee to ensure that their Ministers of Finance would participate in the next meeting of the Ad-Hoc Committee in June this year.

26. After an exchange of views, the meeting adopted the following revised time-table:

June 1977	Second meeting of the Ad-hoc Ministerial Committee on the establishment of an African Monetary Fund.
November 1977	Fifth meeting of the Intergovernmental Group of Experts.
November 1977	Third meeting of the Conference of Ministers of Finance.

June 1988	Sixth meeting of the Intergovernmental Group of Experts on the Articles of Agreement establishing the African Monetary Fund.
July 1988	Progress Report to the African Heads of State and Government
March 1989	Fourth meeting of the Conference of African Ministers of Finance to Adopt the Articles of Agreement.
September 1989	Meeting of Plenipotentiaries to sign the Articles of Agreement of the African Monetary Fund.
January 1990	Payments of First Capital Subscription of the Fund by Member States.
June 1990	Coming into Operation of the Articles of Agreement and Commencement of operations of the African Monetary Fund.

Adoption of the Report and Closure of the meeting

27. The meeting decided that in view of the absence of two of the Committee members (Uganda and Sierra Leone), it would only review its report at the present session. The meeting further decided that the present report would be submitted to a second meeting of the Ad-Hoc Ministerial Committee.

28. The Honourable Mr. [illegible] Msango, Minister of State Finance of the Republic of Zambia expressed, on behalf of the committee, the heartfelt appreciation of the delegations present to His Excellency El Hadj Omar Bongo, President of the Republic of Gabon, Head of State and Founding President of the Democratic Party of Gabon for the brotherly welcome extended to the delegations and the excellent facilities put at the disposal of the Committee.